



I. CalSTRS Membership

Membership in the CalSTRS Defined Benefit Program

Membership in the CalSTRS DB Program is generally available to persons employed in the California public school system, kindergarten through community college, in positions that require a credential, certificate or permit, or require the employee to meet minimum standards adopted by the Board of Governors of the California Community Colleges.

Only activities identified as “creditable service” are subject to CalSTRS DB Program coverage. These activities include teaching, vocational or guidance counseling, services related to school curriculum and a variety of administrative duties.

If you are a classroom teacher or are performing other activities that are creditable service, you may be a CalSTRS DB Program member as mandated by law, or you may be eligible to elect membership.

Employment performing creditable service in a charter school is subject to coverage only if the charter of the school provides for participation in the CalSTRS DB Program.

Mandatory Membership

If you are employed to perform creditable service on a full-time basis, you will become a CalSTRS DB Program member on the first day of employment.

Full time is defined as the number of days or hours in a school year that the employer requires a “class of employees” to work. For example, under a collective bargaining or employment agreement, an employer might require guidance counselors in a high school to work a specific number of days each school year. Therefore, guidance counselors would constitute a class of employees. (See the Glossary, Section XI, for more information about what constitutes full time and “class of employees.”)



Many teachers and others who perform creditable service are not hired to work full time by an employer. For those who are hired to work less than half-time, CalSTRS offers an alternative retirement plan called the CalSTRS Cash Balance Benefit Program. However, the CB Benefit Program is optional for employers.

Mandatory CalSTRS DB Program membership requirements vary, depending upon an individual’s employment status and whether or not the CalSTRS CB Benefit Program is offered by employers to part-time employees in the district.

Except for pages 17–18 and Section IX, the programs and benefits described in this book refer to the CalSTRS Defined Benefit Program only. For information on CalSTRS Cash Balance Benefit Program, see Section IX.



SECTION I

MEMBERSHIP





SECTION I
MEMBERSHIP

Employers Who Do Not Offer CalSTRS Cash Balance Benefit Program

In school districts, county offices of education or community college districts that do *not* offer the CalSTRS Cash Balance Benefit Program, the following mandatory DB Program membership requirements apply:

Employment Status	Mandatory Membership Begins
Hired on part-time hourly basis	First day of pay period following the pay period in which creditable service in one school district, community college district or county superintendent's office is performed for 60 or more hours
Hired on part-time daily basis	Same as above except for 10 or more days
Hired as a substitute	Same as above except for 100 or more complete days during the school year

Employers Who Offer the CalSTRS Cash Balance Benefit Program

In school districts, county offices of education or community college districts that do offer the CalSTRS Cash Balance Benefit Program, the following mandatory CalSTRS DB Program membership requirements apply:

Employment Status	Mandatory Membership Begins
K-12 or community college instructor hired on a contracted basis	First day of pay period in which the basis of employment (the employee's contract for employment) changed to 50 percent, or more, of the full-time equivalent for the position
Community College instructor hired on an hourly/adjunct basis	First day of pay period in which the employee works more than 50 percent of the full-time equivalent for the position

Part-Time or Substitute Employees Electing DB Program Membership

Anyone who performs creditable service in the California public school system is eligible to elect membership in the CalSTRS DB Program.

If you are hired as a substitute or on a part-time basis and your basis of employment does not qualify you for mandatory membership, you can still elect to become a member in the CalSTRS DB Program. Your employer must formally notify you of your right to elect membership in the program.

The election can only be made during a pay period in which you were employed to perform creditable service and must be made on the appropriate form provided by the employer. The effective date of membership is the first day of the pay period in which the election is made. If you elect membership, that decision is irrevocable and applies to all subsequent creditable service you perform. You must remain a member until you terminate all public school employment and elect to receive a refund of your contributions to the program.

Changing Employment to a Different Public Retirement System

Occasionally, teachers or others who perform CalSTRS creditable service change employment to positions that are subject to coverage by another California public retirement system. For example, a classroom teacher may take a position as a human resources specialist in the district office, a position usually subject to California Public Employees' Retirement System coverage. Or a human resources specialist may decide to take a teaching position, a position usually subject to CalSTRS coverage. When a CalSTRS or CalPERS member changes employment to a position in public schools or in certain education-related state government positions subject to coverage by the other system, he or she will have an opportunity to continue coverage or change to the other system.

The two systems are treated differently for Social Security coverage. CalSTRS members do not participate in Social Security, but CalPERS members do. Members of either system are urged to contact the Social Security Administration at 800-772-1213 to determine if the change will affect any Social Security benefit due the member.

Election to Continue Coverage Under the CalSTRS DB Program

Change in School Employment to a Position Subject to Coverage by the California Public Employees' Retirement System

If you are a member of the CalSTRS DB Program and become employed by the same or a different school district, community college district, county superintendent of schools or limited state of California employment to perform service that requires membership in the California Public Employees' Retirement System, you may elect, within 60 days of the date of your new employment, to continue coverage under the CalSTRS DB Program. If you do so, service in your new position and any subsequent position for a school district, community college district, county superintendent of schools or selected state employment that would normally be subject to coverage by CalPERS would be treated as creditable service under the CalSTRS DB Program.

You should remember that the election:

- must be made within 60 days of the date of hire into the new position
- must be done on the appropriate form provided by the employer
- is effective as of the date of hire into the new position
- is irrevocable and applies to all subsequent service
- remains in effect until you terminate all CalSTRS creditable service and all service that would normally be covered by CalPERS **and** elect to receive a refund of your contributions to CalSTRS.

Election to Continue Coverage under the California Public Employees' Retirement System

CalPERS Member in a Classified Position Changes to a Position Subject to Coverage by CalSTRS

A member of CalPERS who is employed by a school employer, the Board of Governors of California Community Colleges or the state Department of Education and who subsequently is employed to perform

CalSTRS creditable service can elect, within 60 days of his or her new hire date, to continue coverage under CalPERS for all subsequent CalSTRS creditable service.

The election:

- must be made within 60 days of the date of hire into the new position
- must be done on the appropriate form provided by the employer
- is effective as of the date of hire into the new position
- is irrevocable and applies to all subsequent service that would normally be covered by the CalSTRS DB Program
- remains in effect until you terminate all CalSTRS creditable service and all public school service that would normally be covered by CalSTRS **and** elect to receive a refund of your contributions to CalPERS.

Information on Both Systems

Before making your decision, you can review the benefit information in this handbook, as well as the benefit information booklet provided by CalPERS. Both are available from your employer.

In addition, the CalSTRS booklet *Join CalSTRS? Join CalPERS?*, PAO 151, outlines and contrasts the basic benefits of the two systems. For a copy, ask your employer or order it from the CalSTRS Teletalk system's Forms Ordering option or view it online at www.calstrs.ca.gov/publish/publish.html.

Member Contributions

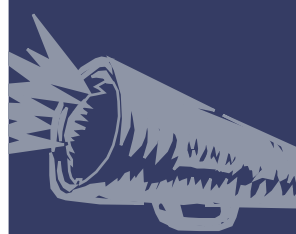
As a member of the CalSTRS DB Program, you must contribute 8 percent of your "creditable compensation" as defined in the Teachers' Retirement Law.

Contributions are withheld from creditable compensation by payroll deduction and credited into your account under the CalSTRS DB Program. Your contributions accrue interest at a rate determined annually by the Teachers' Retirement Board.



SECTION I

MEMBERSHIP





SECTION I
MEMBERSHIP

“Employer Pick-Up” of Member Contributions

Most members’ employers participate in the “Employer Pick-Up” Program, under the provision of the Internal Revenue Code (Section 414[h](2)). The member’s contributions to CalSTRS are “picked-up” by the employer for the sole purpose of deferring income taxes on that portion of compensation. The contributions must be deducted from your compensation and are considered creditable compensation for retirement purposes.

These tax-deferred member contributions are credited to your account as “Employer-Paid Member Contributions.” Those contributions are taxable when returned to you or a beneficiary in a lump sum or monthly allowance. For more information on taxes, see Section VIII, Tax Information and Legal Issues.

Credited Interest

At the end of each fiscal year, interest is credited to the accumulated contributions and interest in each member’s account at the “credited interest rate.” The credited interest rate is adopted annually by the Teachers’ Retirement Board and is currently set at a rate that approximates the yield on two-year Treasury notes.

Interest is credited to members’ accounts primarily to provide a lump-sum benefit to those members who terminate all creditable service and withdraw their contributions or to the beneficiaries of members who die without survivors who are eligible for monthly benefits.

As a Defined Benefit Program member, you should understand that your retirement benefit will be calculated using a benefit formula established by law based on your age, years of service credit and final compensation. The amount of total contributions and interest in your Defined Benefit account is not used to calculate either your or your beneficiary’s future monthly allowance.

Defined Benefit Supplement Program

Starting January 1, 2001, CalSTRS will establish a supplemental account for each active Defined Benefit Program member. Funds will be provided to the account from two sources.

One source will be one-fourth of each member’s monthly CalSTRS contribution, or 2 percent of gross salary. This amount will automatically go into the member’s DBS account from January 1, 2001, through 2010. There will be no change in the 8 percent retirement contribution currently withheld from each member’s paycheck or in the member’s CalSTRS Defined Benefit retirement allowance.

In addition, starting no earlier than July 1, 2002, member and employer contributions will be allocated into the member’s DBS account on compensation earned from service in one school year that exceeds the one full-time equivalent for the position. This provision will not cease at the end of 2010, as does the redirection of the member contribution described above.

The funds in the new DBS accounts will earn interest at a rate set at the beginning of each plan year by the Teachers’ Retirement Board, based on the 30-year Treasury rate. At the end of each year, if actual earnings exceed the board-set interest rate, the board may declare an additional earnings credit.

Access to Funds

The amount available at retirement or termination of employment will vary, depending on the member’s salary or overtime compensation and the interest the account earns. Annually, each member will receive a separate DBS annual statement of account that lists the amounts of contributions and interest in the DBS account.

Funds in the DBS account can be withdrawn only when the member dies, is disabled, retires or one year after terminating CalSTRS-covered service. In addition, a member cannot borrow from his or her DBS account. The member’s DBS account beneficiary(ies)

will be the same that the member has for his or her Defined Benefit account.

Members can choose to receive the balance of the contributions and interest in their DBS accounts as:

- a lump-sum payment
(only choice if terminating employment)
- a monthly payment if the balance is \$3,500 or more
(five options available to distribute payment over your and beneficiary's(ies') lifetime, based on option chosen for DB allowance)
- a combination of lump-sum and monthly payment

Contributions into the DBS account will not affect a member's ability to make contributions into a 403(b) or similar tax-deferred savings plan.

Employer Contributions

The employing school district, community college district or county superintendent of schools contributes an amount equal to 8.25 percent of the creditable compensation paid to every employee who is a member of the CalSTRS DB Program. Employer contributions are not credited to individual member DB accounts but are deposited in the Teachers' Retirement Fund to help fund the benefits payable to all members and their beneficiaries.

State Contributions

The state of California contributes an amount equal to a certain percentage of prior calendar year member earnable compensation to pay the continuing cost of benefits to teachers. Beginning July 1, 2001, that percentage will be 1.975 percent. In addition, the state contributes an amount equal to 2.5 percent of the total creditable compensation paid to all CalSTRS DB Program members during the preceding calendar year for the Supplemental Benefit Maintenance Account. This is used to maintain the purchasing power of benefits at prescribed levels.

Service Credit

Service credit is the accumulated period of time, in years and partial years, during which

you receive creditable compensation for service as a member of the CalSTRS DB Program. In addition to credit for actual service, you may receive service credit for creditable compensation received for certain employer-approved leaves of absence.

Service credit also may be purchased under certain circumstances. See page 16, Purchase of Additional Service Credit.

A member's service credit is one of the factors used to determine eligibility for benefits payable under the CalSTRS DB Program. For example, you must have a minimum of five years of service credit to be eligible for a service retirement allowance. (See *Member* in Section XI, Glossary.)

Service credit is used to calculate your service retirement allowance, as well as the surviving spouse allowance payable under both Coverage A and Coverage B (see Section VII, Survivor Benefits).

You are notified of your accumulated service credit each year when you receive your annual statement of account. (See below.)



How Service Credit is Calculated

Service credit is calculated in the proportion that a member's earnings (creditable compensation) bears to the compensation that the member *would have earned* if he or she had been employed and worked full time in that position.*

Example

Janet was employed to work 50 percent of full time in a teaching position during the 1999–00 school year. The full-time compensation *earnable* for the position was \$42,000. Janet worked every day of her 50 percent teaching contract and received \$21,000 during the school year.

Creditable Compensation divided by Compensation Earnable equals Service Credit

creditable compensation	\$21,000
÷ compensation earnable	\$42,000
= service credit	0.500

Janet would receive 0.5, or one-half year, of service credit

*Calculation method since July 1, 1972



SECTION I

MEMBERSHIP





SECTION I

MEMBERSHIP



You cannot receive more than one (1.000) year of service credit for any one school year.

Whether you are employed on a full-time or part-time basis, your compensation for service in excess of that required to receive 1.000 year of service credit in a school year (overtime) *is not* creditable compensation for retirement purposes.

In addition, summer school service is always considered to be overtime service.

Compensation for overtime service cannot be used for accumulation of service credit or the determination of your final compensation for the purpose of calculating a monthly allowance.

Because compensation for overtime service is not creditable compensation for retirement purposes, you are not required to make CalSTRS contributions on salary received for service in excess of that required to receive 1.000 year of service credit in a school year. However, if you are employed in multiple part-time or substitute positions for more than one CalSTRS employer during a school year, it is often impossible to determine which service and compensation are not subject to contributions until after all your service has been reported to CalSTRS for the school year. If an adjustment to your account is necessary, it will be made after all service has been reported for the school year.

Please note that effective no earlier than July 1, 2002, what is considered creditable compensation and service will be expanded. Details will be included in the 2002 *Member Handbook*.

Purchase of Additional Service Credit

You may be eligible to purchase service credit for past employment or an approved leave of absence for which CalSTRS retirement contributions were not made. For example, you may be able to purchase service credit for part-time or substitute service in the California public school system before you became a CalSTRS DB Program member. For more information, see page 16, Purchase of Additional Service Credit.

Reduced Workload Program

The CalSTRS Reduced Workload Program was established to allow eligible members of the CalSTRS DB Program to reduce their workload from full time to part time and still receive a full year of service credit, provided all requirements of the program have been fulfilled by the participating member and employer. See page 21, Reduced Workload Program, for participation requirements.

Annual Statement of Account

Every year you receive a Defined Benefit annual statement of account, which is one of your most important CalSTRS records. It provides you with information about your retirement account. An annual statement of account is distributed in the fall to each member who was employed to perform creditable service and is not a retired member or a benefit recipient. For example, your statement received in fall 2000, is for the period July 1, 1999, through June 30, 2000.

The statement is mailed to your mailing address as reported to CalSTRS by your employer. If an employer has not provided CalSTRS with a current mailing address, your annual statement of account will be forwarded to the appropriate county or district superintendent's office for distribution.

An inactive member (one who has a balance remaining in his or her CalSTRS DB Program account but did not perform creditable service during the prior school year) will receive an annual statement of account if he or she has a current address on file at CalSTRS. An inactive member who has left his or her contributions on deposit and who has not received an annual statement of account, should call CalSTRS Teletalk at 800-228-5453 to request a statement. (Retired members and benefit recipients do not receive a statement of account.)

Examine your statement carefully each year for accuracy and file it with your important employment or financial records. The following information is included on your statement:

- beginning balances of your service credit and contributions and interest credited on member contributions at the beginning of the period (July 1 of the previous school year)
- ending balances of your service credit and contributions and interest earned on member contributions as of June 30 of the just completed school year

Information about the just completed school year, July 1 through June 30, includes:

- interest credited on your accumulated contributions
- service credit you earned
- contributions credited to your DB Program account

The service credit shown on your annual statement of account is based on the creditable compensation and annual compensation earnable reported by your employer(s) to CalSTRS. (See *Creditable Compensation*, Section XI, Glossary.) The member contributions are the contributions that were reported by your employer(s).

If you believe there is a discrepancy on your annual statement regarding contributions or service credit, contact your employer.

Data on service credit and contributions received by CalSTRS after June 30 will be included in your next annual statement of account. If you have purchased additional service credit or redeposited contributions that were previously refunded, the changes will first appear on the statement of account for the school year during which the final payment was made.

In addition to service credit, contributions, and interest, the annual statement of account provides other key information:

• **Coverage**

Do you have Coverage A or Coverage B for disability and survivor benefits?

If you became a member October 16, 1992, or later, you have Coverage B. If you became a member before October 16, 1992, you have either Coverage A or B, depending on the choice you made during the election period in 1992-93.



• **Beneficiary Designation Information**

If you have filed a beneficiary designation since 1986 for payment of the lump-sum death payment, the statement will identify the designated beneficiaries.

• **Benefit Estimate**

If you are age 50 or older and have earned at least one full year of service credit, the statement will include an estimate of your future service retirement allowance for retirement at age 55 and at age 60.

If you need to call CalSTRS, it will be helpful to have your annual statement of account available. Your Social Security number is your CalSTRS identification number.



Communication with Employers and Employee Organizations

CalSTRS maintains several channels of communication with employer and employee organizations. The Employer Advisory Committee is composed of county and district employer representatives and CalSTRS staff. The Client Advisory Committee includes members of various organizations representing CalSTRS members and benefit recipients.

These committees meet regularly to provide a forum for active participation in the formation of CalSTRS policies and procedures in areas of information dissemination, benefit plan administration and service to members and beneficiaries.

Reaching consensus with the two committees on legislative proposals, as well as policy issues, is important to the Teachers' Retirement Board. Therefore, staff also schedules special meetings and works closely with both committees on plan design and other crucial member and employer issues.

Annually, CalSTRS staff conducts two Employer Institutes, one presented in southern California and another in northern California. CalSTRS processes, laws and policies are discussed with employer staff, giving an opportunity for CalSTRS and employers to exchange information.



SECTION I

MEMBERSHIP





SECTION I

MEMBERSHIP

CalSTRS staff also conducts field visits to individual counties and school districts. The purpose of the visit is to provide specific information to the employer regarding the CalSTRS' reporting process. In addition to the reporting procedures, staff discusses the use of the Remote Employer Access Program that allows the employer direct access to the CalSTRS database for verification and review of members' service and contribution records, thereby improving the accuracy and timeliness of the reporting process.

Periodically, *CalSTRS Employer Information Circulars* are sent to employers to post where members may read them.

CalSTRS distributes *Employer Directives* to employers as needed to explain new policies or procedures.

CalSTRS also provides information to the newsletter editors of CalSTRS member and retired member organizations.

Member Newsletters

The *Bulletin* is published twice a year and mailed to all active and inactive Defined Benefit members and Cash Balance Benefit Program participants. The *Retired Educator* is published twice a year and mailed to all retired members and benefit recipients.



II. Early Career Years

Survivor or Disability Benefits

Termination of CalSTRS-covered employment for four months or more eliminates any eligibility for survivor or disability benefits. This time limit does not apply to eligibility for service retirement.

Exceptions to the Four-Month Limit

The four-month limit does not apply if you die during an approved leave of absence of up to 12 months for a reason other than disability or military service. If medical reports show you became incapacitated within four months of your last day of service (and remained continuously incapacitated to the date of death) or if you were receiving a disability allowance under Coverage A, your beneficiary(ies) remains eligible for the lump-sum death payment and survivor benefits.

Refund of Your Account

Your CalSTRS member contributions to the Defined Benefit Program, plus interest, are refundable upon termination from all employment to perform creditable service in any California public school. However, refund of your contributions terminates your CalSTRS membership and you will not be eligible for any benefits, including a lifetime monthly retirement benefit, from CalSTRS.

Your Defined Benefit Supplement account will be automatically refunded to you if after termination, you have not performed creditable service for one year and have received a refund of your Defined Benefit account.

Refund Amount

All contributions made by a member, including tax-deferred member contributions under the “Employer Pick-Up” program, plus credited interest, will be refunded upon receipt of a completed refund application. Partial refunds are



You will be **vested** with a right to a lifetime retirement allowance when you have accumulated five years of creditable service under the CalSTRS Defined Benefit Program. This allowance will be available to you as early as age 55*. Active members also have important benefits including disability and survivor benefits. See Sections VI and VII.

If You Terminate Your CalSTRS-Covered Employment

Active members contributing to CalSTRS are eligible for important benefit coverage, including disability and survivor benefits.

Termination of CalSTRS-covered employment and a subsequent refund of your accumulated contributions plus interest cancels any eligibility for monthly benefits from CalSTRS.



SECTION II

EARLY
CAREER YEARS



*Or age 50, with at least 30 years of service credit



SECTION II

EARLY CAREER YEARS

not permitted. Employer and state contributions are not refundable.

Is a Refund Right for Me?

Members with fewer than five years of service credit who do not plan to return to teaching and who are not eligible for retirement with any of the California public systems listed on page 22 may want to consider a refund. However, career teachers with substantial service credit, or those who are eligible for retirement with another California public system and are approaching age 55, are urged to learn more about issues that should be considered.

Consequences of a Refund

- If you withdraw your contributions and interest before age 59 1/2, the distribution may be subject to income tax and a 10 percent federal excise tax. (See Section VIII, Tax Information and Legal Issues)
- If you return to membership after taking a refund and later redeposit contributions and interest:
 - your membership date changes to your return date
 - you will be covered under Coverage B for survivor and disability benefits
 - you must accumulate a year of service credit before you are eligible for CalSTRS benefits

More Refund Information

You may learn more about refunds through CalSTRS Teletalk messages.

Call 800-228-5453 and select the Teletalk option, then select message #700 for refund information.



If You Have Less than One Year of Service Credit

If you have less than one year of service credit, the only benefit payable to a surviving beneficiary if you die is a refund of your accumulated retirement contributions plus interest.



III. Career Issues

the Benefits and Program section and go to Defined Benefit Program.



Redeposits

If you return to teaching or other CalSTRS-covered employment or become eligible for retirement with another public system in California (See page 22 for a list of other California public systems), you may elect to redeposit past Defined Benefit Program refunds plus regular interest. Redepositing allows you to reinstate the service credit represented by the refunded contributions.

You may not redeposit refunded Defined Benefit Supplement contributions and interest.

If you are not retiring concurrently with another California public system, before you are eligible for benefits from CalSTRS you must have earned at least one year of service credit after you received the most recent refund of accumulated retirement contributions.

If you elect to redeposit, you must also repay an amount equal to the investment income that would have been earned by the redeposited contributions had they remained in the DB Program. CalSTRS calculates the investment income component by applying the regular interest rate (an interest rate that represents specified CalSTRS investment earnings each year) from the time of the refund to the time of the repayment. The longer the elapsed time between refund and redeposit, the higher the redeposit amount will be.

Beginning July 1, 2001, a member may choose to redeposit a portion, rather than all, of a refund, along with applicable interest.

Redepositing does not re-establish your earlier membership date or benefits that may have been available to you before you refunded.

A As you move through your education career in California, you may wish to take advantage of some of the optional programs and services CalSTRS offers.

If you wish to know more about CalSTRS programs and benefits, you can visit the CalSTRS Web site at www.calstrs.ca.gov or make an appointment with a CalSTRS regional counselor.

Financial Education Program

The Financial Education Program workshops are designed especially for CalSTRS members. The educational workshops prepare members 10 or more years from retirement to make informed financial decisions with confidence.

Workshop speakers present information on CalSTRS pension benefits, on Social Security provisions that apply to CalSTRS members and on how to develop personal financial plans to meet individual goals.



To obtain information about the Financial Education Program or to sign up for a workshop, call the special Financial Education Program toll-free number at 888-394-2060. Workshop registration is also available online at www.calstrs.ca.gov. Select



CalSTRS

SECTION III

CAREER ISSUES





SECTION III

CAREER ISSUES

In some community property settlements, a member's contributions and interest are divided to create a separate account for the former spouse. If the former spouse takes a refund of his or her account, the member can then choose to redeposit all or a portion of the amount awarded to the former spouse.

Amount to Redeposit

The amount you need to redeposit and the benefits from reinstatement of service credit will vary, depending upon your individual situation.

For example, a teacher who withdrew \$10,000 (representing three years of service) in May 1993 and wanted to reinstate those years of credit in May 2000, would be required to redeposit \$16,171.

Amount withdrawn	\$10,000
Regular interest	\$6,171
Total	\$16,171

If you are considering a redeposit, call CalSTRS Teletalk and request the *Purchase Additional Service Credit* brochure.

Purchase of Additional Service Credit

You may elect to purchase service credit for retirement purposes for specific service performed in the past, if it has not been previously credited. This type of service includes, but is not limited to:

- creditable service prior to becoming a member
- sabbatical leave
- certain active military leave
- University of California or State University service
- maternity/paternity leave or family care and medical leave
- School for the Blind or Deaf
- out-of-state public school teaching (up to 10 years)

Service credit cannot be purchased if you have received, or are eligible to receive, credit for the service in another public retirement system. If you are planning to purchase additional service credit just before

retirement, you must complete payment before the effective date of your retirement.

The cost of additional service credit is calculated by multiplying your highest earnable salary in any one of the most recent three school years of service by the contribution rate for additional service credit and the number of years of service credit to be purchased. The contribution rate for additional service credit is adopted by the Teachers' Retirement Board and is based on the most recent actuarial valuation of the CalSTRS DB Program.

Beginning July 1, 2001, members may purchase a portion, rather than all, of any additional service they have earned. In addition, beginning January 1, 2001, members may purchase a portion, rather than all, of what is termed "excluded" or "nonmember" service, which includes, but is not limited to substitute service, part-time service and adult education service.

Nonqualified Service Credit

Members with at least five years of credited CalSTRS service may purchase up to five* years of service credit for nonqualified service, also known as "air time." Nonqualified service is service that is not connected to any specific prior employment. Nonqualified service credit cannot be used to qualify for the career factor, longevity bonus or the 25-year threshold for one-year final compensation.

The purchase of nonqualified service credit is calculated differently from the credit purchase of other service. To estimate the cost of nonqualified service, use the online CalSTRS Nonqualified Service Credit Purchase Estimator. The estimator can be accessed at www.calstrs.ca.gov in Quick Link on the CalSTRS home page.

**Members cannot use more than a total of five years of nonqualified service credit, unused sick leave credit or Golden Handshake Program service credit. At retirement, if the total of these credits are more than five years, the cost of the excess service credit will be refunded to you.*

The cost to purchase nonqualified service credit will increase the closer the member is to retirement and the higher the earnable salary.



Members should evaluate the benefits of purchasing additional service credit by comparing its cost with the increase it would provide in their lifetime retirement income.

For more information about additional service credit purchase or to request a billing statement, call CalSTRS Teletalk at 800-228-5453. Select message #250 for purchasing credit for service done in California, message #254 for out-of-state service credit purchase and message #255 for nonqualified service credit purchase. Or use Teletalk to order the *Purchase Additional Credit* brochure.

Borrowing Against Your CalSTRS Account Balance

State law does not permit you to borrow against your accumulated contributions and interest on account with CalSTRS.

CalSTRS Voluntary Investment Program

The CalSTRS Voluntary Investment Program (formerly known as the CalSTRS 403(b) Program) is a tax-deferred supplemental savings program that complements the CalSTRS Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs. Persons eligible for CalSTRS VIP include active and retired DB Program members, CB Benefit Program participants and classified school employees in districts participating in the program. You can call your payroll department to learn if the CalSTRS VIP is available in your district.

The CalSTRS Voluntary Investment Program is designed as a low-cost, simple-to-use investment program, sponsored and overseen by the Teachers' Retirement Board. It features a comprehensive array of services, competitively priced, with expanded investment options selected by CalSTRS. The program administrator,

CitiStreet, formerly State Street Bank and Trust Company, has demonstrated outstanding industry leadership as one of the largest full-service plan administrators for employee retirement savings plans in the nation.

Investment Options

CalSTRS VIP participants select from a menu of high-quality investment options. Each fund offers a distinct profile of risk and return characteristics to provide you with choice and control. Additional options may be added at a later date. Investment options currently offered are:

- **Provident Institutional Fund's TempCash Prime Money Market Mutual Fund**

A prime money market portfolio investing in high-quality government and corporate securities and focusing on safety of principal, liquidity and competitive rates of return.

- **S&P 500 Index Fund**

A diversified mutual fund designed by the California Investment Trust Fund Group to provide investment results corresponding to the total return of common stocks publicly traded in the United States, as represented by the Standard & Poors 500 Stock Index.

- **EAFE Equity Index Fund**

A diversified mutual fund that seeks to replicate the total return of the Morgan Stanley Capital International Europe Australia Far East Index, which contains approximately 1,100 equity securities of companies located outside the United States.

- **Self-Managed Account**

Participants are able to expand their investment choices by directing their CalSTRS VIP assets into additional mutual funds of their choice. Participants can invest in nearly 3,000 mutual funds.

Customer Service

CitiStreet provides customer support at 800-699-4032 seven days a week with 24-hour-a-day automated access by touch-tone telephone for information and a full range of transactions. Daily accounting provides current information to help you make informed decisions, with customer service representatives available to answer your questions, Monday through Friday, 9:00 a.m. to 5:00 p.m.



SECTION III

CAREER ISSUES





SECTION III

CAREER ISSUES



CalSTRS VIP Fees

The Teachers' Retirement Board directed the program provide for low-cost fees. Fees for VIP are about one-half the amount typically charged by other 403(b) providers. Call toll-free 800-699-4032 or visit the CalSTRS Web site's Benefits and Programs section for fee information.

CalSTRS members can participate in CalSTRS VIP in two ways:

- payroll deductions from CalSTRS-covered employment
- transfer or roll over from an existing balance in another 403(b)/TSA

CalSTRS members who are no longer employed in CalSTRS-covered employment can still roll over an existing balance from another plan into CalSTRS VIP, but they cannot contribute additional funds until they resume CalSTRS-covered employment.

CalSTRS retired members are also eligible to participate in the program by transferring funds from their current 403(b)/TSA balance to CalSTRS VIP.

CalSTRS Home Loan Program

The CalSTRS Home Loan Program is open to active, inactive and retired CalSTRS members and Cash Balance Benefit Program participants. They can apply for conventional, fixed-rate, first mortgage loans for the purchase or refinance of their one-to four-family owner-occupied properties in California. The program provides loans to members while serving as a prudent investment of CalSTRS retirement funds.

The Home Loan Program features include:

- a large number of lenders statewide
- two free loan rate float downs if interest rates fall
- controlled origination fees charged by the lenders
- no points/no fees options
- "Zero Down Preferred" option

For more information on the Home Loan Program, check the Benefits and Programs link on the CalSTRS Web page at www.calstrs.ca.gov or call the Public Service Office at the number listed on the inside cover.

Long-Term Care Coverage

The California Public Employees' Retirement System offers a long-term care program to members of other public retirement systems, including CalSTRS. Those eligible to participate include CalSTRS active and retired members and Cash Balance Benefit Program participants, as well as their spouses, parents and parents-in-law. This program provides personal care that some may need as a result of suffering an accident, a chronic illness or a disabling disease like Alzheimer's. The LTC program provides high-quality care and comprehensive coverage at a reasonable cost.

Call CalPERS Long-Term Care direct at 800-338-2244 for information and an enrollment kit. Long-Term Care information can also be obtained from the CalPERS LTC Internet home page. The World Wide Web address is www.calpers.ca.gov.

Regional Counseling Services

CalSTRS-trained regional counselors are available in many county offices of education throughout the state. Regional counselors hold workshops and conduct individual benefit counseling at a variety of locations. See Section X, General Information, for information on the Counseling Center near you.

There are certain times during your career when CalSTRS recommends a personal interview or use of the online retirement calculator:

- **at least once before age 55, or earlier if you have 30 years of service credit**
- **prior to making a decision to submit a disability application**
- **prior to making a decision on the pre-retirement election of an option**
- **prior to filing a retirement application**



IV. What to Consider Before Retirement

Personal Interview

Before you file a retirement application, schedule a retirement interview with a CalSTRS-trained regional counselor. During this interview the retirement counselor will outline the alternatives available to you and provide you with an estimate of your retirement allowance.

The counselor can also provide information about when you will receive your retirement allowance and answer other questions you may have.

The demand for personal interviews has increased over the years. Members may experience a delay in meeting with a counselor during peak times. Members should not delay filing their retirement application while waiting for an interview.

Members may refer to the CalSTRS Web site to estimate a retirement allowance and to obtain further information regarding CalSTRS benefits.

When should I schedule a pre-retirement interview?

Pre-retirement interviews should be scheduled at least six to 12 months in advance of your planned retirement date.

What information should I bring to the interview?

- the anticipated date of your retirement
- an estimate of your unused sick leave
- the number of days you are required to work during the year
- an estimate of your last three years of earnable compensation
- most recent statement of account

You are encouraged to bring your intended or named option beneficiary(ies) to this interview. If your option beneficiary(ies) is

A As you near retirement age, it is a good time to review your current financial status and plan for your final career years and approaching retirement. If you are about age 50, or if you are within a few years of your projected retirement date, you may want to consider the following:

Retirement Counseling

How can I obtain information and retirement counseling?

Workshops

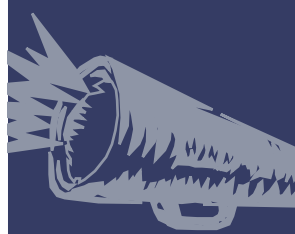
CalSTRS invites local school districts to host benefit workshops conducted by a regional counselor. You may wish to attend a workshop early in your career and three to five years before your retirement.

A schedule of workshops is prepared and distributed in the fall. Schedules should be available at your school site, district office or county office of education.



SECTION IV

BEFORE
RETIREMENT





SECTION IV

BEFORE RETIREMENT



unable to attend the interview, please be prepared to supply the person(s) date of birth(s). All information shared with the retirement counselor during this interview is confidential and used only for preparing your personal retirement estimate.

More Information About Regional Counseling Locations and Schedules

See Section X, General Information, Regional Counseling Centers or the CalSTRS Web site at www.calstrs.ca.gov for the location of the nearest regional counselor.



What About Social Security?

Members expecting to receive a full Social Security benefit and a CalSTRS retirement allowance need to know about two Social Security provisions that may reduce the Social Security benefit. A member's CalSTRS retirement allowance *will not* be reduced because of these provisions in Social Security law.

These provisions may affect members even if they have earned the minimum 40 Social Security credits through other employment or expect to receive a Social Security benefit based on a spouse's earnings.

Social Security benefits are based on the worker's average monthly earnings over a 35-year period, adjusted for inflation. When Social Security determines your benefits, it separates your average earnings into three amounts and multiplies the amounts using three different factors. For example, for a worker who turns 62 in the year 2001, the first \$561 of average monthly earnings is multiplied by 90 percent, the next \$2,820 is multiplied by 32 percent and the remainder by 15 percent.

Under the Windfall Elimination Provision, Social Security uses an alternative calculation for members who qualify for both a Social Security benefit based on their own covered employment (i.e., private industry) and a CalSTRS retirement allowance. For those who reach 62 or become disabled in 1990 or later,

the 90 percent factor is reduced to 40 percent. The exact amount of the reduction is based on the member's earnings history and changes every calendar year. In 2001, the maximum WEP reduction is \$280.50 per month.

CalSTRS members who meet the 40-credit requirement should apply for Social Security, even though the benefit may be reduced. A person is exempt from the Windfall Elimination Provision if they were eligible to retire from CalSTRS prior to January 1, 1986, or if they have had 30 or more years of what Social Security calls "substantial earnings" under employment covered by Social Security. In 2001, substantial earnings will be \$14,925 or more, annually. If you have 21 to 29 years of substantial earnings, the 90 percent factor is reduced to somewhere between 45 and 85 percent.

Social Security provides a "guarantee" to protect workers with relatively low pensions. The amount of the reduction cannot be more than one-half of that part of the pension based on earnings after 1956 not covered by Social Security.

The Government Pension Offset provision affects members expecting to receive a CalSTRS retirement allowance and a Social Security benefit as a spouse, former spouse or widow(er). Under this provision, the Social Security benefit is reduced by two-thirds of the CalSTRS retirement allowance. If two-thirds of the CalSTRS allowance exceeds the amount of the member's spousal benefit from Social Security, the member will not receive a benefit from Social Security. Members are exempt from the GPO if they were eligible to retire from CalSTRS prior to December 1982 and met the Social Security spousal benefit requirements in effect in January 1977.

You may receive an overstated benefit estimate from Social Security because non-Social Security pensions such as CalSTRS are not taken into account in the estimate. You need to contact Social Security for a more accurate estimate of benefits.

For More Information

Due to the complexity of the formulas used in determining Social Security benefits and the many provisions and exceptions in Social Security law, CalSTRS members are urged to speak directly with Social Security representatives. The member can then determine if any of these provisions or exceptions apply to their individual circumstances.

Contact the Social Security Administration directly at 800-772-1213. Or visit their Web site at www.ssa.gov to review or download publications on the Windfall Elimination Provision and the Government Pension Offset. The publication on the Windfall Elimination Provision (Publication 05-10045) is available at www.ssa.gov/pubs/10045.html, while the publication on the Government Pension Offset (Publication 05-10007) is available at www.ssa.gov/pubs/10007.html.

Further information is available in a brief video on the two provisions at the CalSTRS Web site, www.calstrs.ca.gov.

What About Medicare?

While California educators do not pay into Social Security, many do pay for Medicare (1.45 percent of gross earnings). Members are eligible for Medicare if they have met the 40-credit requirement on their own or their spouse's employment.

For Defined Benefit members who retired before January 1, 2001, CalSTRS will pay Medicare Part A (hospitalization) premiums for retired members not eligible for premium-free Part A, starting July 1, 2001. This benefit may be extended at the discretion of the Teachers' Retirement Board to members who retire in the future. See page 40 for more details about health insurance after retirement.

Golden Handshake

The Golden Handshake Program became available March 15, 1994, and is in effect for eligible CalSTRS members who retire during a period established in a formal action taken

by the member's employer before January 1, 1999. You may receive two additional years of service credit upon retirement under this program.

To qualify for the program, you must meet the eligibility requirements for service retirement and file a service retirement application with CalSTRS no later than the last day of the month in which you wish your retirement to be effective. See Section V, Service Retirement. Your retirement effective date must be within the Golden Handshake window period established by your employer.

Employer approval is required before this additional service credit can be included in your benefit calculation and the employer must pay all costs associated with the additional service credit.

Reduced Workload Program

The CalSTRS Reduced Workload Program allows eligible members to reduce their workload from full-time to part-time duties (a minimum of 50 percent of full time) for up to ten years, normally the last ten years before retirement. The opportunity to participate is dependent on your employer offering the program.

You will receive full-time service credit, while working less than full time. At the time of retirement, your allowance will be calculated as though you continued to work full time, including determination of final compensation.

You must be age 55 or older, have been employed full time for a minimum of 10 years performing creditable service and have been employed full-time performing creditable service five consecutive years immediately prior to entering the program.

Both member and employer contributions are paid on the full-time earnable salary, rather than the actual part-time salary earned while participating in the program. Therefore, the employer will be required to pay a higher contribution rate for a member to participate.



SECTION IV

BEFORE RETIREMENT





SECTION IV

BEFORE
RETIREMENT

The consequences of failing to work at least 50 percent as required by the program can be significant. This occurs if the member does not earn creditable compensation for at least 50 percent of full time in any one school year. Service credit for the year will be calculated on actual time worked.

For example, a member who was employed 50 percent of full time had her pay docked because she became ill and ran out of sick leave. Consequently she failed to perform creditable service for at least 50 percent of full time that year. Therefore, for that year she would not be eligible to participate in the Reduced Work Program. She would earn service credit for only the time worked.

Retiring before the end of the school year can also impact program participants in the Reduced Workload Program. After discussing the Reduced Workload Program with your employer and reviewing personal qualifications, you must enter into a contractual agreement with your employer to participate.

Concurrent Retirement

CalSTRS DB Program members at least age 55 who are also eligible to retire from certain other California public retirement systems in California may retire with less than five years of CalSTRS credited service if the member retires from both systems at the same time. Additionally, CalSTRS may use the salaries for service performed under the other retirement system to calculate the CalSTRS retirement allowance. The other public retirement systems in California are the Legislator's Retirement System, Public Employees' Retirement System, San Francisco City and County Employees' Retirement System, University of California Retirement System or those systems established under the County Employees' Retirement Law of 1937 (refer to Section XI, Glossary of Terms, for a list of the counties covered by the act).

Pre-Retirement Election
of an Option

Electing an Option Before
Retirement

If you are eligible to retire, you may make a pre-retirement election of an option for your DB allowance. This election is available if you do not yet wish to retire but want to ensure a monthly lifetime income to another person, or persons, if you die before retirement. (See Section V, Service Retirement, for a discussion of options.)

The monthly allowance paid to your beneficiary(ies) is based on the modified benefit that would have been paid if you had retired as of the date of death. At retirement, your allowance will be modified under the elected option.

When you retire, modification of your allowance will be made using the higher of the option factors in effect as of the date you elected the option or in effect on your retirement date.

The example illustrates two members, one who chooses an option before retirement and another who waits until retirement to choose an option.

Example	
Member Chooses Pre-Retirement Election of an Option	
<ul style="list-style-type: none">• Member retires at age 60• Option 2 beneficiary is also age 60• Both member and option beneficiary were age 55 when pre-retirement option was chosen	
Unmodified Allowance	\$1,963.89
x Percentage Payable	x .906 (Option Table 2)
= Member's Modified Allowance	
\$1,779.28	
Member Chooses an Option at Retirement	
<ul style="list-style-type: none">• Member retires at age 60• Option 2 beneficiary is also age 60	
Unmodified Allowance	\$1,963.89
x Percentage Payable	x .879 (Option Table 2)
= Member's Modified Allowance	
\$1,726.26	

The member in the first example has provided a lifetime monthly allowance to a beneficiary—even if the member should die before retirement. Although the allowance will be reduced at retirement, the modified allowance will be slightly higher than it would have been if the member had waited until retirement to choose an option, since the pre-retirement election of an option allows use of the younger member and beneficiary ages.

The advantages and disadvantages of choosing a pre-retirement election of an option must be assessed on an individual basis.

Advantages

If you should die prior to retirement, your option beneficiary(ies) will receive a lifetime monthly allowance. The allowance begins immediately upon your death, regardless of the age of the beneficiary(ies).

In most cases, the modified allowance will be greater if a pre-retirement election of an option is made than if an option is elected at the time of retirement.

If you become disabled after making a pre-retirement election of an option and you have Disability Allowance, Coverage A, you may retain the option election in order to provide a monthly allowance to your option beneficiary.

Disadvantages

If you cancel or change your pre-retirement election of an option before retiring, your retirement allowance will be reduced for life.

If your option beneficiary dies before you retire and you had elected an option, the election will be automatically canceled and your retirement allowance will be permanently reduced.

Spousal Signature

If you are married, the form for pre-retirement election of an option must be signed by your spouse or the justification for non-signature of spouse form must be

completed and returned with the pre-retirement election. If your spouse does not sign or the justification for non-signature is not received by CalSTRS, the pre-retirement election is not acceptable and will not be effective until the requirements are met.

The election will be effective on the date signed only if it is received by CalSTRS within 30 days from the date you sign it. If the option beneficiary dies *before* you retire, the option is automatically canceled. Your retirement allowance will be permanently reduced to pay for the coverage provided by the pre-retirement option.

Cancellation of an Existing Pre-Retirement Election of an Option

You may cancel an existing pre-retirement election of an option at any time before retirement. A pre-retirement election of an option is canceled automatically when a member elects a new option, elects a new option beneficiary(ies) or if the option beneficiary predeceases the member.

If the pre-retirement election of an option is canceled, an assessment is calculated at retirement. The assessment will reduce your monthly retirement allowance for life.

The factors in effect on the cancellation date of the pre-retirement election of an option will be used to calculate the assessment. The assessment factor is based on the following:

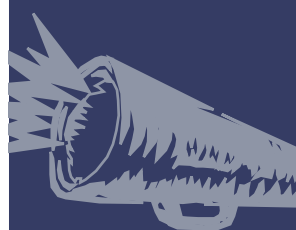
- the option selected
- the amount of time the pre-retirement election was in effect
- the age of the member at the time of election and cancellation
- whether the member has Coverage A or Coverage B
- whether the option beneficiary is the member's spouse

If you are considering canceling your pre-retirement election of an option, electing a different option or naming a different option beneficiary(ies), CalSTRS recommends you meet with a CalSTRS regional counselor to



SECTION IV

BEFORE RETIREMENT





discuss the possible effects of that change on your retirement allowance. (See page 19 for more information.)

SECTION IV

BEFORE RETIREMENT



A spouse *must* sign the cancellation of a pre-retirement election of an option or a justification for non-signature must be completed and returned with the request for cancellation. If the spouse's signature is not provided or the justification for non-signature of spouse is not received by CalSTRS, the cancellation is not acceptable and will not be effective until the requirements are met.

For more information regarding pre-retirement election of an option, call CalSTRS Teletalk at 800-228-5453 and select message # 200, Regional Counseling Services or message #300, Pre-Retirement Election of an Option.



Birthday Verification

Under some circumstances, CalSTRS will request verification of the birth date of a member and/or an option beneficiary(ies). Acceptable documentation for birth date verification is listed in order of preference:

- certified birth record (recorded at least seven years prior to application for CalSTRS benefits)
- certified church baptismal record (recorded within six years of birth)
- transcript of listing in federal census (recorded within ten years of birth)



If the name has been changed from the name shown on the record of birth, a certified copy of the marriage certificate or court order documenting the change is required.

If you do not have any of these records, please contact CalSTRS for assistance.

